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UNCLAS SECTION 01 OF 02 THE HAGUE 000633

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SUBJECT: Dutch Coalition Government Holds Steady (For Now)

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¶1. Summary: The three coalition parties of Balkenende IV look back at a turbulent year but the difficulties they faced have helped cement stronger relations. This enabled them to resolve major disputes and make some ground-breaking decisions. After the summer recess, however, they will face tough issues in light of growing economic adversity. The coalition's biggest problem remains its inability to sell its policies to the voters. Meanwhile, it is blessed with a fragmented opposition. For now, the government's premature fall is unlikely. End summary.

¶2. It has been a stirring first full parliamentary year for the fourth coalition government of Prime Minister Jan Peter Balkenende: Geert Wilders' anti-Islamic rhetoric and 'Fitna' movie captivated the debate for months and roused fierce emotions; populist Rita Verdonk's new movement stirred up the political right; and the icon of the political left, Socialist Party (SP) leader Jan Marijnissen announced his withdrawal. Meanwhile, the government coalition of Christian Democrats (CDA), Labor (PvdA) and the orthodox Protestant Christian Union (CU) that started as a marriage of convenience among reluctant and incongruous partners worked hard to demonstrate the government was in good hands. Initially, the coalition fumbled, becoming paralyzed for months last autumn over a fundamental dispute between CDA and PvdA over the desirability of easing the rules for employee dismissal in the work place. A cabinet crisis was only averted by setting up a committee of experts to advise the cabinet on ways to increase labor participation in the dismissal decision.

¶3. Following this crisis, the three coalition parties realized they needed time to get used to dealing with each other. They consciously invested in improving relations through regular consultations and talking out disputes. In recent months, coordination has improved and the parties now even allow each other the limelight to claim political successes. None of the three parties wants the cabinet to fall prematurely - each has a vested interest in making the coalition succeed. CDA wants to give CDA leader and Prime Minister Balkenende the opportunity to serve a full term (something he has been unable to accomplish in his previous three governments). PvdA's poll numbers are at historically low levels, and it risks losing half its parliamentary seats if an election were held at this time. The Christian Union is taking part in a government for the first time and wants to demonstrate it can govern.

¶4. Their improved cooperation has undoubtedly helped them sort out two major disputes (the screening of embryos and the dismissal law) as well as make difficult decisions to avoid billions of euros of overruns on the childcare and healthcare budgets. They also took a ground-breaking decision on the introduction of a kilometer levy to replace road taxes, agreed to the next step in the JSF project, and ratified the Lisbon Treaty without difficulty.

Opposition Ineffective

¶5. With the coalition occupying the broad political center, the opposition is concentrated on the left and right fringes. The

strongest party on the left is the Socialist Party (SP), which currently has 25 of the 150 seats in parliament, but its popularity has to a significant degree been linked to that of its charismatic leader, Jan Marijnissen. He recently announced his departure for health reasons, and it is uncertain how well the party will continue to score under his successor, Agnes Kant. The liberal-left Democrats 66 (D66) party has made a remarkable recovery in recent months thanks to its appealing leader, Alexander Pechtold, but it has a history of roller-coaster support among the public. It remains to be seen whether the current high scores in election polls will be converted into actual seats in the next elections. The other two parties on the left, Greenleft and the Animals Party, are holding their own but no more than that.

¶6. On the right, the Liberal (VVD) party is facing competition from two former VVD members who started their own movements. No politician has received as much publicity in the past year as Geert Wilders, but this is not translating in a significant growth of his supporters, which gave him nine seats in the last elections. Rita Verdonk, another media darling, scores well in polls, but her impact in parliament is zero, her movement only exists on paper, and she has no platform and few funds. The big unknown is how she will hold out until an actual election campaign.

¶7. Each of the opposition parties pursues its own agenda with little coordination with other out-of-power parties. They have not coalesced into an effective voice to challenge government policies. The history of Dutch coalition governments, however, is that governments rarely fall because of the opposition, but implode because of internal problems. As long as the three coalition parties hold together, Balkenende IV will continue, but it has difficult issues to face.

Future challenges ahead

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¶8. So far, the Dutch economy has continued to perform relatively well, certainly in comparison in neighboring countries. Nonetheless, Balkenende recently warned that the Netherlands should brace itself for less favorable economic tidings and referred to the specter of rising inflation and economic stagnation. Rising energy and food prices are eroding people's purchasing power, especially affecting pensioners. When the government returns from recess in the second half of August, finding ways to preserve that purchasing power will be a tough nut to crack when decisions are made on the 2009 budget (due to be announced to parliament September 16). A looming flash point is the question of a VAT increase. PvdA is inclined to put off the planned increase from 19 to 20 percent in 2009 to maintain purchasing power and not to push up inflation. The increase is linked, however, to the plan to reduce unemployment benefit premiums to make labor cheaper and consumption more expensive, which CDA finds of paramount importance. Other potential conflicts are procurement of JSF/replacement of aging F-16s, implementation of the kilometer levy and introduction of a national chip card for public transportation.

Cabinet faces major image problem

¶9. The coalition government's biggest problem is its inability to generate public support for its policies (it consistently receives bad press). Polls indicated the current government is the least popular in decades. It is well aware some of its measures, such as new and higher taxes in support of the environment, are unpopular. They are deemed necessary, however, to foster the government's long-term goal of strengthening the economy and advancing more sustainability.

¶10. "If the election were held today" polls in the past months invariably predict major losses for the CDA and the PvdA. Prospects are not so dim for the small CU party, but it is savoring this opportunity to participate in the government. These are incentives for the coalition to stick together and hope for better times. As Balkenende observed not incorrectly, his previous governments were

at times similarly unpopular but the final judgment always comes on Election Day and so far the electorate has always given him its vote of confidence. "Everyone is ready to give his opinion while we are rebuilding. Give us time to finish our job," he exclaimed. At this point, Balkenende IV looks like it has some more time to finish its job.

Gallagher